2020 Strategy Preview

January 13, 2020
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Outline

- Operating Strategy
- 2020 Operating Guidance
- Outlook
2020 Operating Strategy

- Steadily increase oil and gas reserves and production levels
- Maintain cost competitiveness
- Maintain prudent investment decision-making
- Focus on shareholder returns
2020 Overview

- Capex budget of RMB85-95 billion
- Production target of 520-530 mmboe
- Ten new projects to come on stream
- Reserve Replacement Ratio (RRR) of 120%
- Maintain high standards on HSE performance
Capex Plan

Pursue profitable reserves and production and continue to increase Capex

(RMB bn)

2018  | 2019E  | 2020B
--- | --- | ---
62.6  | 80.2  | 85-95

Exploration  | Development  | Production  | Others
2020 Capex Breakdown

**Exploration** 20%  
**Development** 20%  
**Production** 58%  
**Others** 20%

**China** 62%  
**Overseas** 38%
Continue to Enhance Efforts on Exploration

Exploration strategy

- Strengthen value-driven exploration and ensure the sustainable growth
- Improve exploration effectiveness and reduce exploration costs
- China: Target mid-to-large size discoveries and strengthen exploration in new areas and frontiers
- Overseas: Focus on the acquisition of high-quality blocks in exploration hot spots
Domestic Exploration

- **Strategic discovery**
  
  Identify the hydrocarbon source and reservoir conditions at the basin or sag level
  
  - Explore of potential hydrocarbon-rich sags
  
  - Explore of new fields and new types in proved hydrocarbon-rich sags

- **Strategic breakthrough**
  
  Identify reserves growth areas at favorable exploration regions
  
  - Breakthrough in areas based on strategic discoveries
  
  - Breakthrough in frontiers based on strategic discoveries

- **Strategic expansion**
  
  - Rolling exploration and target assessment in mature areas
**Exploration Workload**

- **Continue to strengthen value-driven exploration to support sustainable growth**

**Exploration wells**
- 2019E: 239
- 2020B: 227

**3D Seismic (‘000 km²)**
- 2019E: 24
- 2020B: 27

*Note: Excludes unconventional exploration wells (82 estimated in 2019 and 100 planned for 2020).*
Development and Production

- **Development Capex**
  - Actively promote important projects
    - China: Lingshui 17-2, Liuhua 16-2/20-2, etc.
    - Overseas: Liza oil field phase 2, etc.
  - Strengthen the progress control of new projects and strive to bring on stream ahead of schedule

- **Production Capex**
  - Optimize infill drilling program to slow down decline and improve oilfield recovery
2020 production target of 520-530 mmboe, with oil and gas representing 81% and 19%, respectively.
## New Projects in 2020

10 new projects are scheduled to come on stream in 2020.

<table>
<thead>
<tr>
<th>Project</th>
<th>Location</th>
<th>Expected Startup</th>
<th>Peak Production (boe/d)</th>
<th>Working Interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liza oil field phase 1</td>
<td>Guyana</td>
<td>Commenced production</td>
<td>120,000</td>
<td>25%</td>
</tr>
<tr>
<td>Penglai 19-3 oil field block 4 adjustment/Penglai 19-9 oil field phase II</td>
<td>Bohai</td>
<td>First half</td>
<td>12,700</td>
<td>51%</td>
</tr>
<tr>
<td>Qinhuangdao 33-1S oil field phase I</td>
<td>Bohai</td>
<td>First half</td>
<td>6,000</td>
<td>100%</td>
</tr>
<tr>
<td>Bozhong 19-6 gas field pilot area development project</td>
<td>Bohai</td>
<td>Second half</td>
<td>12,000</td>
<td>100%</td>
</tr>
<tr>
<td>Luda 16-3/21-2 joint development project</td>
<td>Bohai</td>
<td>Second half</td>
<td>26,500</td>
<td>100%</td>
</tr>
<tr>
<td>Nanbao 35-2 oil field S1 area</td>
<td>Bohai</td>
<td>Second half</td>
<td>1,800</td>
<td>100%</td>
</tr>
<tr>
<td>Jinzhou 25-1 oil field 6/11 area</td>
<td>Bohai</td>
<td>Second half</td>
<td>16,500</td>
<td>100%</td>
</tr>
<tr>
<td>Liuhua 29-1 gas field development project</td>
<td>Eastern South China Sea</td>
<td>Second half</td>
<td>10,300</td>
<td>25%</td>
</tr>
<tr>
<td>Liuhua 16-2 oil field/20-2 oil field joint development project</td>
<td>Eastern South China Sea</td>
<td>Second half</td>
<td>72,800</td>
<td>100%</td>
</tr>
<tr>
<td>Buzzard oil field phase II</td>
<td>UK</td>
<td>Second half</td>
<td>37,000</td>
<td>43.21%</td>
</tr>
</tbody>
</table>
Liza Oil Field Phase 1

- Located in the Stabroek block offshore Guyana
- Ultra-deepwater development project with a water depth of 1,500-1,900 meters
- Facility details:
  - One FPSO
  - 17 wells
- Peak production: 120,000 boe/day
- CNOOC Limited’s interest: 25% (ExxonMobil acts as the operator)
- Commenced production ahead of schedule on December 2019
Located 230-240 kilometers from Hong Kong in the South China Sea

Water depth of ~400 meters

Facility details:
- One FPSO
- 18 wells

Peak production: 72,800 boe/day

CNOOC Limited’s interest: 100%
Luda 16-3/21-2 Joint Development Project

- Located in Bohai with a water depth of ~25 meters
- Facility details:
  - One central platform
  - Three wellhead platforms
  - One production adjective platform
- Peak production: 26,500 boe/day
- CNOOC Limited’s interest: 100%
Bozhong 19-6 Gas Field Pilot Area Development Project

- Located in Bohai with a water depth of ~22 meters
- Facility details:
  - One wellhead platform
  - One boosting platform
- Peak production: 12,000 boe/day
- CNOOC Limited’s interest: 100%
A Long Pipe of Projects

**Offshore China**
- Penglai 25-6 oil field 3 area
- Panyu 10-4 oil field
- Liuhua 29-2 gas field
- Weizhou 12-8E oil field
- Weizhou 5-7 oil field
- Luda 6-2 oil field
- Luda 5-2N oil field Phase I
- Lingshui 17-2 gas fields
- Weizhou 11-2 oil field phase II
- Lufeng oil fields

**Overseas**
- Caofeidian 2-1 oil field
- Kenli 16-1 oil field
- Luda 29-1 oil field
- Bozhong 19-6 gas field phase I
- Caofeidian 6-4 oil field
- Bozhong 29-6 oil field
- Bozhong 8-4 oil field
- Qinhuangdao 29-2 oil field
- Wushi 17-2 oil fields
- LLSW project
- Mero 1 oil field
- Golden Eagle – Pacific gas field
- Madura gas fields
- Ravel oil field
- Liza oil field phase 2
- Flying Dutchman oil field
- Mero 2 oil field
- Arctic LNG 2 project

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Lingshui 17-2 Gas Fields Development Project

- First large-size deep-water independent gas field with a water depth of 1,450 meters
- Entered the development stage with development well drilling in December 2019
- Created the world’s first deepwater development model of semi-submersible platform with 10,000-ton oil storage
- Stable gas supply of more than 3 billion cubic meters per year for the Guangdong-Hong Kong-Hainan area
Future Projects of Stabroek Block

- **Liza oil field phase 2**
  - FID was sanctioned in 2019
  - First oil planned in 2022
  - Facilities include one FPSO and 30 wells
  - Peak production: 220,000 boe/day

- **Payara project**
  - Expected to come on stream as early as 2023
  - Facilities include one FPSO and 45 wells
  - Peak production: 220,000 boe/day
Technology Advancement Free Up Heavy Oil Reserves

Research and experiment for technologies of heavy oil thermal recovery

Luda 27-2-A22 well saw injection and production integration for the first time

- Simplified thermal recovery process
- Reduced thermal recovery costs
- Improved productivity
- Lowered development threshold

Huge potential for increasing reserves and production

- At present, only 100 million tons are under development and annual output is less than 100,000 tons
- Proved in-place volume of heavy oil is approximately 600 million tons.

Thermal recovery Production plan in Bohai

![Graph showing thermal recovery production plan from 2019 to 2025]
Focus on Shareholder Returns

- Focus on shareholder returns and share the Company’s development results with shareholders.

Dividend distribution will continue to consider the following factors:

- Current and future earnings
- Financial position
- Capital expenditure plan
- Dividend level of international peers

Cash flow v.s. dividends

- Operating cash flow
- Cash Capex
- Dividend Paid

Focus on shareholder returns and share the Company’s development results with shareholders.
Three-year Rolling Target

Focus on organic growth and accelerate reserves and production increase

Note:
Production percentage of crude liquids and nature gas is expected to be 80% v.s. 20% in 2021. Production percentage of crude liquids and nature gas is expected to be 78% v.s. 22% in 2022.